Expanding Business into India: A Practical Guide to India Entry Services, Direct and Indirect Taxation, and Foreign Direct Investment

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Why India Continues to Attract Global Investors

India has grown into one of the most sought-after destinations for foreign investment, and it is easy to see why. The country consistently ranks among the fastest-growing major economies in the world, backed by a young and growing consumer base, an expanding digital infrastructure, and a government that has made policy reform a central priority. For global businesses, the opportunity is real and substantial. But opportunity alone does not guarantee success. Executing an India strategy requires a clear understanding of how corporate laws, foreign exchange regulations, tax frameworks, and sector-specific compliance rules all work together.

This guide is written for business leaders, investors, and finance teams who want a grounded, practical overview of what it actually takes to enter and operate in India. We cover three areas that tend to be most critical: **India Entry Services**, **Direct and Indirect Taxation**, and the **Foreign Direct Investment (FDI)** framework. These are not isolated topics. The structure you choose when entering India shapes your tax exposure, your FDI reporting obligations, and how freely you can grow and eventually exit. Getting them right from the start saves significant time, cost, and regulatory friction later.

1. India Entry Services: Starting on the Right Footing

One of the most common mistakes foreign companies make when entering India is choosing a legal structure without fully thinking through the long-term implications. The entry structure is not just a paperwork decision. It determines how you are taxed, how profits can be sent back to your home country, what activities you are permitted to undertake, and how easily you can raise capital or exit down the line. **India Entry Services** exist to guide companies through exactly this kind of decision,

and to handle the regulatory and legal groundwork that follows.

How Foreign Companies Can Structure Their Presence in India

Structure	Best Suited For	FDI Permitted
Private Limited Company (WOS or Joint Venture)	Long-term operations, full control, scalability	Yes, in most sectors
Branch Office	Specific permitted commercial activities	With RBI approval
Liaison Office	Market research and representative presence	No commercial operations
Project Office	Infrastructure or turnkey project execution	Project-specific basis
LLP	Flexible management in permitted sectors	Subject to FDI policy

What Good India Entry Support Looks Like

India Entry Services cover a wide range of advisory and execution work. A well-structured engagement typically includes the following areas, handled in a coordinated way rather than in silos:

- Evaluating which entry structure fits your sector, investment size, and commercial goals
- Advising on FDI regulations under the Foreign Exchange Management Act (FEMA) and the applicable route
- Incorporating the company under the Companies Act, including drafting all constitutional documents
- Obtaining government approvals and completing statutory registrations such as PAN, TAN, and GST
- Setting up board and governance structures, including a compliance calendar for ongoing obligations
- Providing continuous legal and tax support as the business grows and evolves

> **A note on structure selection:** For most foreign investors seeking full operational control, a wholly owned subsidiary set up as a private limited company remains the most practical and scalable choice. That said, the right answer depends on your sector, your tax planning objectives, your repatriation needs, and how you see the business evolving over the next five to ten years. It is worth taking the time to get this decision right before filing any paperwork.

2. Direct and Indirect Taxation: What Foreign Companies Need to Know

Tax planning is not something you layer on top of an India entry strategy. It is a core part of the strategy itself. India's tax system has two broad dimensions that every foreign company must understand and manage: **direct taxation**, which covers corporate income tax and related obligations, and **indirect taxation**, which is primarily the Goods and Services Tax or GST. For companies with cross-border operations, there is also the dimension of international taxation, which brings in transfer pricing rules, tax treaties, and withholding tax considerations.

Direct Tax: Corporate Income Tax and Related Obligations

Direct taxation in India is governed by the Income Tax Act of 1961. Foreign-owned subsidiaries incorporated in India are treated as domestic companies for tax purposes, which means they are subject to Indian corporate income tax. Here are the key areas that typically matter most for foreign investors:

- **Corporate Income Tax:** Domestic companies are taxed at statutory rates, with concessional rates available for new manufacturing entities set up under specific conditions
- **Withholding Tax:** Payments made to non-residents, including royalties, fees for technical services, and interest, attract withholding tax either under domestic law or a relevant tax treaty
- **Minimum Alternate Tax:** This applies where the regular tax liability falls below a specified percentage of book profits, ensuring a minimum level of tax payment
- **Annual Compliance:** Companies must file income tax returns, pay advance tax in instalments, and submit audit reports prepared by a chartered accountant
- **Business Restructuring:** Mergers, demergers, and group reorganisations involving Indian entities have specific tax treatment that must be carefully planned in advance

GST: India's Indirect Tax Framework

The Goods and Services Tax, introduced in 2017, replaced a patchwork of central and state levies with a single unified framework. For foreign companies operating in India, GST compliance is a live and ongoing obligation that touches almost every business transaction. The main areas to stay on top of are:

- **GST Registration:** Required for any business that crosses the prescribed turnover threshold or is involved in the inter-state supply of goods or services
- **Return Filing:** Periodic GST returns must be filed accurately and on time. Late filing attracts interest and late fees that add up quickly
- **Input Tax Credit:** Businesses can recover GST paid on inputs, but only if records are properly maintained and reconciled with supplier filings
- **Import of Services:** When an Indian entity receives services from a foreign entity, the reverse charge mechanism may apply, creating a GST obligation for the recipient

- **E-invoicing:** Companies above specified turnover thresholds must generate invoices through the government portal in real time, which requires system integration

International Taxation: Managing Cross-Border Complexity

Multinational groups with Indian subsidiaries face an additional layer of tax complexity that domestic companies do not. The key issues are well known but require specialist attention in each specific context:

- **Tax Treaties:** India has double taxation avoidance agreements with more than 90 countries. Properly applying the relevant treaty can significantly reduce withholding tax on cross-border payments such as dividends, royalties, and interest
- **Transfer Pricing:** Every transaction between an Indian entity and a related overseas party must be priced on an arm's length basis. This comes with extensive documentation requirements and an annual filing obligation
- **Permanent Establishment Risk:** Certain activities carried out in India by a foreign company, even without a formal entity, can create a taxable presence known as a permanent establishment, triggering Indian tax obligations
- **Profit Repatriation:** The tax treatment of dividends, royalties, and management fees flowing from India to the parent group must be structured carefully to avoid unnecessary withholding tax and double taxation

Direct Tax vs. Indirect Tax: A Quick Reference

Dimension	Direct Tax	Indirect Tax (GST)
Primary Law	Income Tax Act, 1961	CGST, SGST, and IGST Acts, 2017
Who Bears the Tax	The taxpayer directly	The end consumer, collected by the business
Core Compliance	Annual returns, advance tax, TDS filings	Monthly or quarterly returns, e-invoicing
International Dimension	Tax treaties, transfer pricing, PE exposure	Import of services, reverse charge mechanism
Common Risk Areas	Assessments, interest, tax disputes	Late fees, input credit reversal, GST audits

3. Foreign Direct Investment in India: Routes, Rules, and Ongoing Compliance

Foreign Direct Investment in India is regulated primarily through the Foreign Exchange Management Act, the FDI Policy published by the Government of India, and the Reserve Bank of India's master directions. India has liberalised its FDI framework significantly over the past decade, opening the vast majority of sectors to foreign capital without any prior government approval. A smaller set of

strategically sensitive sectors still require clearance, and a handful remain closed entirely. Knowing where your sector sits is the starting point for any inbound investment planning.

The Two Main Routes for Bringing in Foreign Capital

All FDI into India flows through one of two routes, and the distinction matters for how you sequence your entry and what approvals you need to obtain before committing capital:

- **Automatic Route:** No prior approval from the RBI or the Government of India is needed. You can invest and then report the transaction by filing the required FEMA forms with the RBI after the fact. This route covers the large majority of sectors
- **Government Approval Route:** You must obtain prior approval from the relevant ministry or through the Foreign Investment Facilitation Portal before the investment can be made. This applies to sectors such as defence, multi-brand retail, and satellites
- **Prohibited Sectors:** Certain activities including lottery business, gambling, chit funds, and most real estate trading remain entirely closed to FDI regardless of the route or the approval sought

Ongoing FDI Compliance After the Investment Is Made

Making the investment is only step one. Indian companies with foreign shareholders have a set of ongoing reporting and compliance obligations under FEMA that must be met consistently:

- **Form FC-GPR:** This form must be filed with the RBI within 30 days of allotting shares to a foreign investor. It is one of the most time-sensitive FEMA obligations and is frequently missed by companies without specialist support
- **Form FC-TRS:** Required whenever shares are transferred between a resident and a non-resident party. Both the buyer and the seller have reporting obligations
- **Annual Return on Foreign Liabilities and Assets:** Indian companies that have received foreign investment must file this return every year by 15 July, covering all outstanding foreign liabilities and assets as of the previous 31 March
- **Valuation Compliance:** Every share issuance or transfer involving a non-resident must be priced in accordance with FEMA regulations and use an RBI-recognised valuation methodology
- **Sectoral Cap Monitoring:** Companies operating in sectors with FDI caps, such as insurance, broadcasting, and banking, must monitor their foreign ownership levels on an ongoing basis and ensure they remain within permitted limits

How FDI Structure and Taxation Interact

The jurisdiction from which you invest, the instrument through which you invest, and the form in which you eventually receive returns all have material tax consequences. This is why FDI planning and tax planning need to happen together rather than in separate workstreams. Some of the most important considerations include:

- Whether the investing entity is resident in a jurisdiction that has a favourable tax treaty with India, particularly for capital gains and dividend withholding tax rates
- How profits will be repatriated over time. India abolished dividend distribution tax in 2020, which means tax on dividends is now borne by the shareholder rather than the distributing company. The applicable rate depends on the treaty position
- The tax treatment of any eventual exit, including whether gains will be taxed as capital gains in India and at what rate, and whether treaty protection is available
- Whether the funding structure is equity-heavy or debt-heavy, given that India has thin capitalisation rules that can limit the deductibility of interest paid to related foreign lenders

4. How Corporate Legit Supports Foreign Companies in India

Corporate Legit is a specialist advisory firm based in Noida, New Delhi NCR, focused on helping foreign companies and investors navigate India's legal, regulatory, and tax environment. The firm's senior team brings experience from Big Four accounting firms and leading international law firms, which means clients get advice that is technically rigorous and commercially grounded at the same time.

Rather than working as a generalist practice, Corporate Legit has built deep expertise in the specific areas that matter most to foreign businesses: structuring market entry, managing FDI compliance, handling both direct and indirect taxation, and keeping ongoing corporate secretarial and regulatory obligations on track. The firm has served foreign companies across a wide range of sectors, from technology and manufacturing to healthcare and financial services.

Service Area	What Corporate Legit Delivers
India Entry Services	Entry strategy, structure selection, incorporation, approvals, and full regulatory setup
Direct and Indirect Taxation	Corporate tax planning, GST compliance, TDS advisory, return filing, and tax representation
FDI and FEMA Compliance	FDI route advisory, FC-GPR and FC-TRS filings, FLA returns, and ongoing monitoring
International Taxation	Treaty planning, transfer pricing documentation, PE risk assessment, and cross-border struc
Virtual CFO Services	Ongoing financial oversight, compliance management, and growth-stage advisory

In Their Own Words

> *"Corporate Legit has been assisting us with the complete suite of accounting services, payroll and taxation compliances. The ownership they take towards the work and the quality of supervision has been genuinely impressive."*

Ayush Pande, Managing Director, SST India

> *"The quality of professional service here is really impressive. What stood out most was the commitment to meeting deadlines and the responsiveness of the team throughout our engagement."*

Shreyansh, Director, Suprema Biometrics India

> *"They streamlined our processes to our complete satisfaction. Supervision was excellent and we are looking forward to a long-term relationship."*

Ms. Chandni, Director, MMA Healthcare India Pvt Ltd

Thinking About Entering India?

Whether you are at the early stage of evaluating India as a market or ready to move forward with incorporation and regulatory setup, Corporate Legit can help you build a compliant, commercially sound foundation from day one. Our team brings together legal, tax, and regulatory expertise under one roof so you do not have to coordinate across multiple advisors.

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